

Mobridge Housing and Redevelopment Commission
Mobridge, South Dakota
(A Component Unit of the City of Mobridge, South Dakota)

Independent Auditor's Report
&
Financial Statements

December 31, 2015 and 2014



PTI CPA Services, LLC

People Trust Integrity

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FINANCIAL SECTION



PTI CPA Services, LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Mobridge Housing and Redevelopment Commission
Mobridge, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Mobridge Housing and Redevelopment Commission (or the "Commission"), a component unit of the City of Mobridge, South Dakota, as of December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof

People Trust Integrity

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for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I. A., the financial statements present only the Commission and do not purport to, and do not present fairly, the financial position of the City of Mobridge, South Dakota as of December 31, 2015 and 2014, and the changes in its financial position and, where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements.

The accompanying Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Mobridge Housing and Redevelopment Commission (page 17) is presented for purposes of additional analysis and are not a required part of basic financial statements.

The accompanying Financial Data Schedules (pages 18 and 19) are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs and the Financial Data Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs and the Financial Data Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2016 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

DTI CPA Services, LLC

Redmond, Washington
August 18, 2016

MOBRIDGE HOUSING & REDEVELOPMENT COMMISSION
Mobridge, South Dakota
Management's Discussion and Analysis
December 31, 2015

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Mobridge Housing & Redevelopment Commission (herein referred to as "the Commission"), Mobridge, South Dakota, financial performance provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2015. Please read the MD&A in conjunction with the Commission's financial statements.

For accounting purposes, the Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Commission for the year ended December 31, 2015 were \$1,170,643. Total liabilities were \$1,230,688. Total liabilities exceeded assets total by \$60,043 (net position).

Unrestricted net position totals \$122,290. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December 31, 2015, was \$876,606 and expenses totaled \$880,088. Total expenses exceeded revenue by \$3,482.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Commission's financial statements are presented as program level financial statements because the Commission only has proprietary funds.

The financial statements report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Commission's activities. The Statement of Net Position includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Commission's basic financial statements are the Statement of Net Position, the Statement of Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position provides a summary of the Commission's assets and liabilities as of the close of business on December 31, 2015. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues, and expenses incurred in operating the Commission for the year ended December 31, 2015.

MOBRIDGE HOUSING & REDEVELOPMENT COMMISSION
Mobridge, South Dakota
Management's Discussion and Analysis
December 31, 2015
(Continued)

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords that own the property. The Commission subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with Department of Housing and Urban Development (HUD). HUD provides Housing Assistance Payment (HAP) to enable the Commission to structure a lease that sets the participants rent at 30% of household income.

Moderate Rehab Program – Provides assistance to families living in units that were developed by individual owners for low income families and housing assistance provided by the Commission.

Essential Function Bonds Program – Provides housing for moderate income families at the market rent rate and consists of one 8 unit project and one 4 unit project.

Statement of Net Position

For year ended December 31	2015	2014
Current assets and prepaid expense	\$177,878	\$157,805
Capital assets, net	<u>\$992,765</u>	<u>\$1,034,607</u>
Total assets	<u>\$1,170,643</u>	<u>\$1,192,412</u>
Current liabilities	\$57,078	\$69,656
Non-current liabilities	<u>\$1,173,610</u>	<u>\$1,179,319</u>
Total liabilities	<u>\$1,230,688</u>	<u>\$1,248,975</u>
Net Position		
Invested in capital assets, net of related debt	(\$191,043)	(\$180,518)
Restricted	\$8,708	\$4,419
Unrestricted	<u>\$122,290</u>	<u>\$119,538</u>
Total net position	<u>(\$60,043)</u>	<u>(\$56,561)</u>
Total Liabilities and Net Position	<u>\$1,170,643</u>	<u>\$1,192,412</u>

Comparative Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31	2015	2014	Change
Program Revenue			
Tenant revenue	\$125,140	\$132,440	(\$7,300)
Other income	\$7,534	\$6,633	\$901
Federal grants and subsidies	\$743,870	\$726,145	\$17,725
Interest income	\$62	\$56	\$6
Total revenue	<u>\$876,606</u>	<u>\$865,274</u>	\$11,332
Program Expenses			
Administration	\$85,715	\$90,477	(\$3,843)
Tenant Services	\$25,463	\$42,141	(\$16,678)
Utilities	\$4,809	\$3,995	\$813

MOBRIDGE HOUSING & REDEVELOPMENT COMMISSION
Mobridge, South Dakota
Management's Discussion and Analysis
December 31, 2015
(Continued)

Ordinary maintenance & operations	\$13,005	\$22,541	\$4,574
General expenses	\$15,654	\$10,358	(\$9,729)
Depreciation	\$45,444	\$45,267	\$177
Interest expense	\$54,521	\$55,920	(\$1,399)
HAP and FSS	<u>\$635,476</u>	<u>\$628,410</u>	\$7,066
Total expenses	<u>\$880,089</u>	<u>\$899,109</u>	(\$19,019)
Change in Net Position	(\$3,482)	(\$33,835)	\$30,351
Beginning Net Position	<u>(\$56,561)</u>	<u>(\$22,726)</u>	(\$33,835)
Ending Net Position	<u>(\$60,046)</u>	<u>(\$56,561)</u>	(\$3,483)

Federal grants totaled \$743,870.

Capital Assets

Capital Assets at Year-end
(Net of Accumulated Depreciation)

For the year ended December 31	2015	2014	Change
Land	\$23,696	\$23,696	\$0
Buildings	\$1,361,151	\$1,357,550	\$3,601
Furniture, Equipment & Machinery - Admin	\$26,005	\$26,005	\$0
Furniture, Equipment & Machinery - Dwelling	<u>\$14,468</u>	<u>\$14,468</u>	\$0
Subtotal	<u>\$1,425,320</u>	<u>\$1,421,719</u>	\$3,601
Accumulated Depreciation	(\$432,555)	(\$387,111)	(\$45,444)
Total Capital Assets	<u>\$992,763</u>	<u>\$1,034,608</u>	(\$41,843)

Long Term Debt

The Commission has long-term debt of \$1,146,663 for one 8-plex and one 4-plex financed by Essential Bonds. The current portion of the long term debt is \$32,657.

Economic Factors

The Commission is primarily dependent upon HUD for the funding of operations; therefore, the Commission is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

Contacting the Commission's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Arlo Smith, Contracting Officer, at Mobridge Housing & Redevelopment Commission, 202 1st Ave East, Mobridge, South Dakota 57601 -- (605) 229-0180

BASIC FINANCIAL STATEMENTS

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Statement of Net Position
December 31, 2015 and 2014

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

	December 31,	
	2015	2014
Assets		
Current assets:		
Unrestricted cash:		
Checking	\$ 112,654	\$ 102,387
Savings	13,138	12,881
Restricted cash:		
Checking - excess HAP	8,708	4,419
CDs - security deposits	10,350	10,600
Savings - FSS escrow	21,269	16,452
Savings - FSS maintenance	5,678	4,674
Accounts receivable:		
Miscellaneous	2,018	2,604
Prepaid insurance	3,664	3,387
Prepaid expense	400	400
Total current assets	<u>177,879</u>	<u>157,804</u>
Noncurrent assets:		
Capital assets not being depreciated:		
Land	23,696	23,696
Capital assets net of accumulated depreciation:		
Buildings	1,361,151	1,357,550
Equipment - dwellings	8,068	8,068
Equipment - administration	32,405	32,405
Accumulated depreciation	<u>(432,555)</u>	<u>(387,111)</u>
Total noncurrent assets	<u>992,765</u>	<u>1,034,608</u>
Total assets	<u>1,170,644</u>	<u>1,192,412</u>
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	1,245	1,324
Accounts payable - HUD	7,484	-
Security deposits	10,350	10,675
Family self-sufficiency - escrow	21,269	16,452
Revenue bonds - current	32,657	31,200
Revenue bonds - accrued interest	4,488	4,607
Noncurrent liabilities:		
Revenue bonds - noncurrent	1,146,663	1,179,319
Family self-sufficiency	853	724
Held for FSS home ownership clients	<u>5,678</u>	<u>4,674</u>
Total liabilities	<u>1,230,687</u>	<u>1,248,975</u>
Net Position:		
Net invested in capital assets	(191,043)	(180,518)
Restricted - Excess HAP	8,708	4,419
Unrestricted, post - 2003 earnings	108,465	104,982
Unrestricted, pre - 2004 earnings	<u>13,828</u>	<u>14,556</u>
Total net position	<u>\$ (60,042)</u>	<u>\$ (56,561)</u>

The notes to the financial statements are an integral part of this statement.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

	December 31,	
	2015	2014
Operating Revenues		
Rental revenue	\$ 125,140	\$ 121,825
Rental revenue-garage, other	2,300	10,615
Fraud recovery - HUD	904	2,865
Fraud recovery - PHA	904	2,865
Absorption (FSS)	3,425	903
Total operating revenue	<u>132,673</u>	<u>139,073</u>
Operating Expenses		
Housing assistance payments	619,941	606,146
Family self-sufficiency payments	15,534	22,264
Administrative	85,715	90,477
Tenant services - FSS	25,463	42,141
Utilities	4,809	3,995
Maintenance and operations	13,005	22,541
General expenses	15,654	10,358
Depreciation expense	45,444	45,267
Total operating expenses	<u>825,565</u>	<u>843,189</u>
Operating profit (loss)	<u>(692,892)</u>	<u>(704,116)</u>
Nonoperating Revenues (Expenses)		
HUD operating grants:		
HAP and operations	638,234	600,556
Administration fees	75,682	95,635
Family self-sufficiency	29,954	29,954
Interest earned - HUD (restricted)	18	38
Interest earned - PHA	44	18
Interest expense	(54,521)	(55,920)
Total nonoperating revenues	<u>689,411</u>	<u>670,281</u>
Change in net position	(3,481)	(33,835)
Net position, beginning of year	(56,561)	(22,726)
Net position, end of year	<u><u>\$ (60,042)</u></u>	<u><u>\$ (56,561)</u></u>

The notes to the financial statements are an integral part of this statement.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

	December 31,	
	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 133,259	\$ 137,432
Cash paid to landlord (HAP)	(619,941)	(606,145)
Cash paid to FSS	(15,534)	(22,264)
Cash paid to suppliers	(131,893)	(185,590)
Net cash provided (used) by operating activities	<u>(634,109)</u>	<u>(676,567)</u>
Cash Flows From Capital and related Financing Activities		
Bond payments - principal	(31,200)	(29,805)
Bond payments - interest	(54,640)	(53,446)
Acquisition of capital assets	(3,600)	(5,292)
Net cash provided (used) by capital and related financing activities	<u>(89,440)</u>	<u>(88,543)</u>
Cash Flows From Noncapital Financing Activities		
Grant receipts	<u>743,871</u>	<u>726,145</u>
Net cash provided (used) by noncapital financing activities	<u>743,871</u>	<u>726,145</u>
Cash Flows From Investing Activities		
Interest income	<u>62</u>	<u>56</u>
Net cash provided (used) by investing activities	<u>62</u>	<u>56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,384	(38,909)
Cash and Cash Equivalents, beginning of year	<u>151,413</u>	<u>190,322</u>
Cash and Cash Equivalents, end of year	<u>\$ 171,797</u>	<u>\$ 151,413</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ <u>(692,892)</u>	\$ <u>(704,116)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	45,444	45,267
(Increase) decrease in accounts receivable	586	(1,641)
(Increase) decrease in prepaid items	(277)	(244)
Increase (decrease) in accounts payable	7,405	(8,271)
Increase (decrease) in other liabilities	<u>5,625</u>	<u>(7,562)</u>
Total adjustments	<u>58,783</u>	<u>27,549</u>
Net cash used in operating activities	<u>\$ (634,109)</u>	<u>\$ (676,567)</u>

The notes to the financial statements are an integral part of this statement.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Mobridge County Housing and Redevelopment Commission (or the “Commission”), a component unit of the City of Mobridge, South Dakota, was organized in 1990 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C., 1401, et seq.). The Commission is governed by a Board of Commissioners made up of five members who are appointed by the Mayor and city council of Mobridge, South Dakota. The Board members serve five-year staggered terms. The Commission elects its own chairperson and recruits and employs its management personnel and workers. The primary government is the City of Mobridge, South Dakota.

The financial statements present only the operations of the Commission and are not intended to present the financial position of the City of Mobridge taken as a whole.

The Commission administers the Housing Choice Vouchers Programs for the city of Mobridge, South Dakota.

The Commission has Joint Powers Agreements to administer, through agency funds, the Housing Choice Voucher program for the Campbell, Corson, Dewey, Edmunds, Faulk, McPherson, Perkins, Potter and Walworth Counties Housing and Redevelopment Commissions, and the Cities of Faulkton and Lemmon Housing and Redevelopment Commissions.

The Commission also administers an 8-plex housing unit under SDCL 11-7-53.3. Construction was completed in 2005 at a cost of \$805,458. The project was financed by an \$800,000 Essential Function Housing Development Revenue Bond under SDCL 11-7-92. The bond was issued by a local bank. The City of Mobridge guaranteed 25% of the bond. See page 14 and 15 for bond payment information.

The Commission also administers an 4-plex housing unit under SDCL 11-7-53.3. Construction was completed in 2010 at a cost of \$571,400. The project was financed by an \$600,000 Essential Function Housing Development Revenue Bond under SDCL 11-7-92. The bond was issued by a local bank. The City of Mobridge guaranteed 25% of the bond. See page 14 and 15 for bond payment information.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The activities of the Commission are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission’s principal ongoing operations. The principal operating revenues of the Commission are charges to tenants for rental of dwelling units. Operating expenses include the cost of tenant services, maintenance, protective services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Commission include the accounts of all Commission operations for which the Board of Commissioners had significant oversight responsibility.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

The financial statements are presented in a comparative form for the years ended December 31, 2015 and 2014.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers cash on hand, cash on deposit with financial institutions, and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

2. Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as prepaid items. This account primarily consists of prepaid insurance.

3. Accounts Receivable

Accounts receivable include normal business receivables.

4. Capital Assets

Capital assets are stated at cost. Maintenance and repair costs are charged to expense as incurred. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Assets	Capitalization Threshold	Years
Furniture, equipment and machinery	\$100	5-15
Buildings and improvements	N/A	27.5

5. Long-term Liabilities

Long-term liabilities consist of bonds payable. The portion due in the next year is reported as a current liability and the balance is reported as a long-term liability.

6. Net Position Categories

Generally accepted accounting principles for state and local governments require that resources be classified for accounting and reporting purposes into the following three net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – The restricted component of net position consists of restricted assets, other than capital assets. This includes the Excess HAP. Restricted assets whose use by the Commission is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or they expire by the passage of time.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

Unrestricted – These are assets that are not subject to externally imposed stipulations. Unrestricted assets may be designated for specific purposes by action of management or the Commission Board or may otherwise be limited by contractual agreements with outside parties.

Should any net position assets become subject to an externally imposed stipulation, it is the Commission's policy to utilize those restricted assets first, within the guidelines of the restriction, and then utilize unrestricted assets.

7. Comparative Data and Reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, Compliance and Accountability

1. Income Taxes

The Commission is a government entity and pays no Federal income tax.

2. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Budgets

The Commission has no legal requirements for an organization-wide budget. Under internally adopted policies, budgets are adopted based on amounts allocated to specific line items for federal grants and contracts. Certain restrictions may apply to each of these budget line items, but the primary budgetary control is total expenditures by grant or contract. Since a formal annual budget has not been legally adopted, a presentation of budgetary comparison information is not required.

III. Detailed Notes on All Accounts

A. Cash and Cash Equivalents

The Commission had bank deposits at one financial institution for the years ended December 31, 2015 and 2014. The Commission deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

The following table shows the bank balances and carrying amounts for those respective years:

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

		December 31, 2015		December 31, 2014	
		Bank	Carrying	Bank	Carrying
		Balance	Amount	Balance	Amount
Bank deposits	\$	<u>171,797</u>	\$ <u>171,797</u>	\$ <u>169,036</u>	\$ <u>151,413</u>

Custodial Credit Risk – Deposits

Custodial credit risk for bank deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a formal custodial credit risk policy. As of December 31, 2015 and 2014, the Commission's balances of \$171,797 and \$169,036, respectively, were not exposed to custodial credit risk because they were covered by the Federal Deposit Insurance Corporation (FDIC).

Cash is restricted for 2015 as follows:

Amount	Reasons for the restrictions
\$ 8,708	Held for excess HUD voucher grants from previous years reduced by current year HAP payments to landlords. This was implemented by HUD to reduce reserve funds at housing authorities across the nation.
10,350	Held for tenant security deposits.
21,269	Held for the Family Self-Sufficiency (FSS) Escrow Program including its homeownership clients.
5,678	Held in a maintenance reserve for FSS home ownership clients that are using the Housing Voucher program to help purchase a home.
\$ <u>46,005</u>	Total

Cash is restricted 2014 as follows:

Amount	Reasons for the restrictions
\$ 4,419	Held for excess HUD voucher grants from previous years reduced by current year HAP payments to landlords. This was implemented by HUD to reduce reserve funds at housing authorities across the nation.
10,600	Held for tenant security deposits.
16,452	Held for the Family Self-Sufficiency (FSS) Escrow Program including its homeownership clients.
4,674	Held in a maintenance reserve for FSS home ownership clients that are using the Housing Voucher program to help purchase a home.
\$ <u>36,145</u>	Total

B. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2015 and 2014:

		Balance at	Balance at
		12/31/2015	12/31/2014
A/R RAM expenses	\$	<u>1,992</u>	\$ <u>1,863</u>
Other		<u>26</u>	<u>741</u>
Total receivables	\$	<u>2,018</u>	\$ <u>2,064</u>

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

C. Capital Assets

A summary of changes in fixed assets for the year ended December 31, 2015 is as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 23,696	\$ -	\$ -	\$ 23,696
Total capital assets not being depreciated	<u>23,696</u>	<u>-</u>	<u>-</u>	<u>23,696</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and improvements	1,357,550	3,602	-	1,361,152
Furniture, equipment, and machinery	40,473	-	-	40,473
Total capital assets being depreciated	<u>1,398,023</u>	<u>3,602</u>	<u>-</u>	<u>1,401,625</u>
Less: Accumulated depreciation	<u>(387,112)</u>	<u>(45,444)</u>	<u>-</u>	<u>(432,556)</u>
Net capital assets being depreciated	<u>1,010,911</u>	<u>(41,842)</u>	<u>-</u>	<u>969,069</u>
Net capital assets	<u>\$ 1,034,608</u>	<u>\$ (41,842)</u>	<u>\$ -</u>	<u>\$ 992,765</u>

Depreciation expense for the year ended December 31, 2015 was \$45,444.

A summary of changes in fixed assets for the year ended December 31, 2014 is as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 23,696	\$ -	\$ -	\$ 23,696
Total capital assets not being depreciated	<u>23,696</u>	<u>-</u>	<u>-</u>	<u>23,696</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and improvements	1,353,162	4,388	-	1,357,550
Furniture, equipment, and machinery	39,569	904	-	40,473
Total capital assets being depreciated	<u>1,392,731</u>	<u>5,292</u>	<u>-</u>	<u>1,398,023</u>
Less: Accumulated depreciation	<u>(341,844)</u>	<u>(45,268)</u>	<u>-</u>	<u>(387,112)</u>
Net capital assets being depreciated	<u>1,050,887</u>	<u>(39,976)</u>	<u>-</u>	<u>1,010,911</u>
Net capital assets	<u>\$ 1,074,583</u>	<u>\$ (39,976)</u>	<u>\$ -</u>	<u>\$ 1,034,608</u>

Depreciation expense for the year ended December 31, 2014 was \$45,268.

D. Long-term Liabilities

Essential Function Housing Development Revenue Bond, Series 2004 was issued by a local bank under SDLC 11-7-92 in the amount of \$800,000. The note matures on June 1, 2035 at an interest rate of 4.5%. The bond was secured by real and personal property of the 8-plex housing unit built with this bond. The city of Mobridge guarantees 25% of this bond.

Essential Function Housing Development Revenue Bond, Series 2004 was issued by a local bank under SDLC 11-7-92 in the amount of \$600,000. The note matures on October 12, 2040 at an interest rate of 4.5%. It is secured by real and personal property of the 4-plex housing unit built with this bond. The city of Mobridge guarantees 25% of this bond.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

The following table shows the changes in long-term liabilities for the year ended December 31, 2015:

	Balance at 1/1/2015	Additions	Retirements	Balance at 12/31/2015	Due in one year
\$800K Bond	\$ 652,934	\$ -	\$ (19,571)	\$ 633,364	\$ 20,495
\$600K Bond	557,584	-	(11,629)	545,954	12,162
Totals	<u>\$ 1,210,518</u>	<u>\$ -</u>	<u>\$ (31,200)</u>	<u>\$ 1,179,318</u>	<u>\$ 32,657</u>

The following table shows the changes in long-term liabilities for the year ended December 31, 2014:

	Balance at 1/1/2014	Additions	Retirements	Balance at 12/31/2014	Due in one year
\$800K Bond	\$ 671,622	\$ -	\$ (18,688)	\$ 652,934	\$ 19,571
\$600K Bond	568,702	-	(11,117)	557,584	11,629
Totals	<u>\$ 1,240,323</u>	<u>\$ -</u>	<u>\$ (29,805)</u>	<u>\$ 1,210,518</u>	<u>\$ 31,200</u>

The following is a schedule of the annual interest and principal requirements to maturity for the Commission's aggregate bonds payable:

Year ending December 31,	Interest	Principal	Total
2016	\$ 53,181	\$ 32,657	\$ 85,839
2017	51,655	34,184	85,839
2018	50,056	35,783	85,839
2019	48,383	37,455	85,839
2020	46,631	39,207	85,839
2021 to 2025	203,882	225,312	429,194
2026 to 2030	146,041	283,153	429,194
2031 to 2035	73,586	330,929	404,515
2036 to 2040	18,726	160,638	179,363
Total	<u>\$ 692,140</u>	<u>\$ 1,179,318</u>	<u>\$ 1,871,458</u>

E. Operating Lease

The Commission leased office space for the 2015 and 2014 fiscal years for a minimum yearly lease payment of \$5,250 and \$4,975, respectively.

IV. Other Information

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Commission carries commercial insurance and is currently insured for these risks.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

B. Contingent Liabilities

The Commission receives financial assistance from one federal governmental agency in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements or contracts and are subject to audit. Certain expenditures incurred by the Commission in connection with federal grants may be questioned and subject to possible disallowance by federal grantor agencies. The amount of any additional questioned costs that might have to be reimbursed to the grantors cannot be determined presently and no provision for any liability that might result has been made in the basic financial statements, as management believes that such amounts, if any, are not material to the basic financial statements.

C. Economic Dependence

The Commission receives a significant amount of its revenue from an U.S. Federal Government Agency. The U.S. Congress has control over the Secretarial Departmental Budgets. If the amount of revenues received from the U.S. Government falls below critical levels, the Commission's reserves would be adversely affected and jeopardize many of the services currently being provided.

SUPPLEMENTARY INFORMATION

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Combining Schedule of Revenues, Expenses, and Changes in Net Position
of All Housing Choice Vouchers Programs Administrated by Mobridge Housing and Redevelopment Commission
For the Year Ended December 31, 2015

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

	Mobridge City	Adams	Gwinnet	Faulk	Edmund County	Walworth County	Hand	Perkins County	Corson County	Dewey County	Combell County	Totals
Operating Revenues												
Rental revenue	\$ 125,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,140
Rental revenue - garage, other	2,300	-	-	-	-	-	-	-	-	-	-	2,300
Fraud recovery - HUD	904	-	-	-	-	-	-	-	-	-	-	904
Fraud recovery - PHA	904	-	-	-	-	-	-	-	-	-	-	904
Absorption (FSS)	3,425	-	-	-	-	-	-	-	-	-	-	3,425
Total operating revenue	<u>132,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,673</u>
Operating Expenses												
HAP and operations	181,767	7,884	4,401	16,498	8,727	304,274	2,170	12,711	67,337	10,551	3,621	619,941
Family self-sufficiency payments	15,534	-	-	-	-	-	-	-	-	-	-	15,534
Administrative	85,715	-	-	-	-	-	-	-	-	-	-	85,715
Tenant services - FSS	25,463	-	-	-	-	-	-	-	-	-	-	25,463
Utilities	4,809	-	-	-	-	-	-	-	-	-	-	4,809
Maintenance and operations	13,005	-	-	-	-	-	-	-	-	-	-	13,005
General expenses	15,654	-	-	-	-	-	-	-	-	-	-	15,654
Depreciation expense	45,444	-	-	-	-	-	-	-	-	-	-	45,444
Total operating expenses	<u>387,391</u>	<u>7,884</u>	<u>4,401</u>	<u>16,498</u>	<u>8,727</u>	<u>304,274</u>	<u>2,170</u>	<u>12,711</u>	<u>67,337</u>	<u>10,551</u>	<u>3,621</u>	<u>825,565</u>
Operating profit (loss)	<u>(254,718)</u>	<u>(7,884)</u>	<u>(4,401)</u>	<u>(16,498)</u>	<u>(8,727)</u>	<u>(304,274)</u>	<u>(2,170)</u>	<u>(12,711)</u>	<u>(67,337)</u>	<u>(10,551)</u>	<u>(3,621)</u>	<u>(692,892)</u>
Nonoperating Revenues (Expenses)												
HUD operating grants:												
HAP and operations	200,060	7,884	4,401	16,498	8,727	304,274	2,170	12,711	67,337	10,551	3,621	638,234
Administration fees	75,682	-	-	-	-	-	-	-	-	-	-	75,682
Family self-sufficiency	29,954	-	-	-	-	-	-	-	-	-	-	29,954
Interest earned - HUD (restricted)	18	-	-	-	-	-	-	-	-	-	-	18
Interest earned - PHA	44	-	-	-	-	-	-	-	-	-	-	44
Interest expense	(54,521)	-	-	-	-	-	-	-	-	-	-	(54,521)
Total nonoperating revenues	<u>251,237</u>	<u>7,884</u>	<u>4,401</u>	<u>16,498</u>	<u>8,727</u>	<u>304,274</u>	<u>2,170</u>	<u>12,711</u>	<u>67,337</u>	<u>10,551</u>	<u>3,621</u>	<u>689,411</u>
Change in net position	<u>(3,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,481)</u>
Net position, beginning of year	<u>(56,561)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,561)</u>
Net position, end of year	<u>\$ (60,042)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,042)</u>

The notes to the financial statements are an integral part of this statement.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
December 31, 2015

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

Financial Data Schedule (FDS)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

Line Item#		Per audited schedule on page 7 12/31/2015	Reclass	Financial Data Schedule		
				Housing	Section 8	Town Home
				Choice	MOD Rehab.	Programs
				Vouchers		

The notes to the financial statements are an integral part of this statement.

Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
December 31, 2015

Project Number: Vouchers - SD057VO
Project Number: Moderate Rehabilitation - SD057MR
PHA Code: SD057

Financial Data Schedule (FDS) (Continued)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

Line Item#		Per audited schedule on page 8 12/31/2015	Reclass	Financial Data Schedule		Town Home Programs 12/31/2015
				Housing Choice Vouchers CFDA # 14.871 12/31/2015	Section 8 MOD Rehab. CFDA # 14.856 12/31/2015	
	Operating Revenues					
70300.0	Tenant rental revenue	\$ 125,140	\$ -	\$ -	\$ -	\$ 125,140
70400.0	Tenant revenue - other	2,300	-	-	-	2,300
70600.0	HUD PHA operating grants	-	(743,870)	515,888	227,982	-
71100.0	Investment income - unrestricted	-	(63)	7	23	33
71400.0	Fraud recovery	1,809	-	990	819	-
71500.0	Other revenue - FSS absorption	3,425	-	2,514	-	911
	Total revenue	<u>132,674</u>	<u>(743,933)</u>	<u>519,399</u>	<u>228,824</u>	<u>128,384</u>
	Operating Expenses					
	Expenses - administrative:					
91200.0	Auditing fee	3,500	-	1,000	1,900	600
91300.0	Management fee	60,759	-	32,648	21,390	6,721
91900.0	Other	5,024	-	3,499	1,525	-
91600.0	Office expenses	17,352	-	11,869	4,564	919
	Expenses - tenant services:					
92400.0	Tenant service-other	25,463	-	25,463	-	-
	Expenses - utilities:					
93100.0	Water	2,522	-	-	-	2,522
93200.0	Electricity	1,488	-	1,170	-	318
93300.0	Gas	799	-	583	-	216
	Expenses - maint and operation:					
94100	Ordinary Maintenance and Operations-Labor	6,692	-	-	-	6,692
94200	Ordinary Maintenance and Operations-Materials and Other	4,199	-	-	-	4,199
94300.0	Operation contracts	8,709	-	-	-	8,709
94500.0	Employee Benefit Contribution	512	-	-	-	512
96110	Property Insurance	5,592	-	-	-	5,592
	Expenses - general:					
96120.0	Insurance premiums - liability	1,151	-	733	418	-
96140.0	Insurance premiums - other	100	-	65	35	-
96200.0	Other general expenses	627	-	627	-	-
96300	Payments in Lieu of Taxes	158	-	-	-	158
96720.0	Interest expense on bonds	-	(54,521)	-	-	54,521
	Housing Assistance Payments:					
97300.0	Landlords	438,173	-	438,173	-	-
97300.0	FSS	-	-	-	-	-
97350.0	HAP Portability-In	197,302	-	-	197,302	-
97400.0	Depreciation	45,444	-	360	-	45,084
	Total expenses	<u>825,566</u>	<u>(54,521)</u>	<u>516,190</u>	<u>227,134</u>	<u>136,763</u>
	Nonoperating Revenues (Expenses):					
70600-010	HUD housing asst pymts (HAP)	638,234	638,234	-	-	-
70600-020	Administrative fee earned	75,682	75,682	-	-	-
70600-030	FSS Coordinator	29,954	29,954	-	-	-
71100-010	Investment income - HAP	44	44	-	-	-
71100-020	Investment income - admin	18	18	-	-	-
96720.0	Interest expense	(54,521)	(54,521)	-	-	-
10100.0	Total Nonoperating Revenues (Expenses):	<u>689,411</u>	<u>689,414</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000.0	Change in net position	(3,481)	-	3,209	1,690	(8,379)
	Net Position					
11030.0	Beginning	<u>(56,561)</u>	-	<u>20,236</u>	<u>27,954</u>	<u>(104,751)</u>
	Ending	<u>\$ (60,042)</u>	<u>\$ -</u>	<u>\$ 23,445</u>	<u>\$ 29,644</u>	<u>\$ (113,130)</u>

The notes to the financial statements are an integral part of this statement.

AUDITOR'S SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Mobridge Housing and Redevelopment Commission
Mobridge, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mobridge Housing and Redevelopment Commission (or the "Commission"), a component unit of the City of Mobridge, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*

in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

DTI CPA Services, LLC

Redmond, Washington
August 18, 2016

**Mobridge Housing and Redevelopment Commission
(A Component Unit of the City of Mobridge, South Dakota)
Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2015**

Schedule of prior audit findings

There are no prior written audit findings to report.

Schedule of current audit findings

There are no current written audit findings to report.